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UNCLAS ROME 005549

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FROM U.S. MISSION IN ROME

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USDA/FAS FOR U/S PENN, ETERPSTRA, MCHAMBLISS, RTILSWORTH AND
LSCHATZ
USAID FOR AA/DCHA WINTER, AA/ANE, DCHA/OFDA, D/DCHA/FFP
LANDIS
JOINT STAFF FOR JE/J4/J5
NSC FOR EABRAMS, SMCCORMICK, STAHIR-KHEDI AND JDWORKEN
GENEVA FOR RMA LYNCH AND USAID NKYLOH
BRUSSELS FOR PLERNER

E.O. 12958: N/A

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SUBJECT: IRAQ: TERMINATION OF FAO'S ACTIVITIES UNDER "OIL-FOR-FOOD" PROGRAM AND HANDOVER TO THE COALITION PROVISIONAL AUTHORITY

[1](#)1. Summary: In UN Security Council Resolution 1483 (adopted May 22, 2003), the Security Council requested the Secretary-General to: (a) continue the exercise of his

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responsibilities under resolutions 1472 (2003) and 1476 (2003) for a period of six months following the adoption of resolution 1483 (2003); and (b) terminate within this time period, in the most cost-effective manner, the ongoing operations of the "Oil-For-Food" (OFF) Program, both at headquarters level and in the field, transferring responsibility for the administration of any remaining activity under the Program to the Coalition Provisional Authority (CPA). FAO has informed US Mission/Rome that they effectively completed termination and handover of all activities under OFF in Iraq to the CPA within the November 21, 2003 deadline. End summary.

Specific Actions Taken

[1](#)2. FAO has informed US Mission/Rome that the following specific actions have been taken:

a) OFF activities in the northern governorates (13 percent account) -- The total confirmed allocation made to FAO for the implementation of the agriculture program in northern Iraq since 1997 is USD 776 million, of which the cumulative delivery amounts to USD 580 million. A total of USD 166.8 million worth of assets, facilities and contracts was handed over and transferred to the CPA through the appropriate legal mechanisms in place. Uncommitted funds (approximately USD 191 million) shall be returned to the Development Fund for Iraq;

b) Special Projects funded under the OFF Program (59 percent account) -- Upon the request of the CPA, FAO also implemented new projects in southern and central Iraq for an approximate value of USD 238 million. These projects involved the procurement of a large quantity of urgently needed inputs to supplement those included in the list of contracts previously placed by the former Government of Iraq. Through these projects, USD 185 million worth of contracts were issued, including USD 45 million worth of inputs delivered in time for the autumn cereal-planting season. USD 140 million worth of inputs were not delivered fully, and as agreed with the Authority, contracts have been handed over to the CPA for follow-up. Uncommitted funds (approximately USD 50 million) shall be returned to the Development Fund for Iraq;

c) Administrative and operational support costs (2.2 percent account) -- Pursuant to recent directives from the UN Secretary-General, assets purchased with funds from the 2.2

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percent account that would not be required by the United Nations for its activities relating to Iraq, either at the headquarters or in the field, should be transferred to the CPA for the benefit of the people of Iraq. Accordingly, FAO is reviewing the inventories of all assets purchased with 2.2 percent account funds, to determine those that should be transferred to the CPA by December 31, 2003.

FAO's Responsibilities for Contracts Negotiation under Resolutions 1472, 1476 and 1483

13. As of November 21, 2003, 196 contracts for an amount of USD 711 million, placed by the former Government of Iraq for agriculture inputs and equipment were renegotiated and amended by FAO in accordance with the above-mentioned resolutions. This represents over 95 percent of the prioritized contracts that were potentially amendable by FAO.

FAO Presence in Iraq

14. International staff -- In line with instructions from the FAO Director-General and those of UNSECOORD, all FAO international staff have been relocated to Amman, Rome and home stations. Contracts of international staff will not be extended beyond December 31, 2003, except for a small core team that will be responsible for follow-up actions pursuant to formal handover of the Program.

15. National staff -- All national staff have been officially informed that their contracts will not be extended beyond December 31, 2003. "Non-essential" staff were requested not to report to duty as of November 21, 2003, and a core group of 40 staff members (20 in the northern governorates and 20 in the center/south) have been requested to continue general support activities needed for the orderly termination after November 21. This transition team has been instructed to work exclusively on handover and termination related activities, and not to engage in any operations under OFF.

Comment

16. In US Mission's view, FAO performed its contracting function, particularly over the past several months, in a professional and dedicated manner. The contractual renegotiation process indeed contained "glitches," some of which were beyond FAO's control. Moreover, FAO was overly sanguine about its ability to initiate contracting for some vital inputs, e.g., chemical fertilizer(s) as a case in point, which were in tight supply internationally and needed to be delivered in a timely manner. But in spite of the magnitude of the exercise, compounded by the drastic UN staff downsizing in the aftermath of August 19, FAO was able to meet the challenge of an orderly termination and effective handover of its OFF portfolio to the CPA. And, as the baton changes hands, it needs to be said that the Iraqi people have been indeed well served these past six difficult months by the UN's FAO.

Hall

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2003ROME05549 - Classification: UNCLASSIFIED